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SBA Officials


TPL is a small business that has long participated in the SBIR Program. And shortly after the company was created we sought and received venture capital financing. But we made sure that the venture capitalist ownership was held below 49% so that we could truly maintain that the founders were still the owners and controllers of the business.

TPL is vigorously opposed to changing the standards to allow venture capitalists to control a company and still allow that company to participate in the SBIR Program. Such a change in standards, to our way of thinking, totally violates the principles upon which the SBIR Program was established. When a venture capitalist controls a company, there is a very high probability that it is the VC-dictated professional management team that is responsible for the operations of the company; the founders, the entrepreneurs, for which the SBIR Program was established, are no longer in charge if they are even employed by the company. It is absolutely not the same company.

Second, and perhaps more importantly, such a change in standards will allow any large company to establish a venture capital arm, if they haven't already, and through such ownership as being proposed, participate directly in the SBIR Program through the small company which they now control. This further increases the travesty of what this change will mean to the SBIR Program and small business.

The current guidelines allow a venture capital firm to own up to 49% of the business and still allow the small business to qualify for the SBIR Program. This is an exceedingly generous standard but it provides the opportunity for the founders of the small business to remain in control. What I believe you are seeing on the part of the venture capitalists is a series of failed business models, because of the economic downturn of 2000, who now want to exploit government funds in order to keep their investment alive. There is no other reason for the VCs demanding that the standard be changed. They certainly could face reality and reduce their ownership down to the already permitted 49% level and honestly participate in the program.

Please do not change the rules.



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